

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
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September 19, 2006

Mr. Richard Humphrey, Chief Financial Officer
Kershaw County Hospital
Box 7000
Camden, South Carolina 29020-7000

Re: AC# 3-ASK-J2 – A. Sam Karesh Long Term Care Nursing Facility

Dear Mr. Humphrey:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 2001 through September 30, 2002. That report was used to set the rate covering the contract period beginning October 1, 2003.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate change shown on Exhibit A. You will be notified of settlement terms by that agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976, as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider

A. SAM KARESH LONG TERM CARE NURSING FACILITY

CAMDEN, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2003
AC# 3-ASK-J2**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 27, 2006

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with A. Sam Karesh Long Term Care Nursing Facility, for the contract period beginning October 1, 2003, and for the twelve month cost report period ended September 30, 2002, as set forth in the accompanying schedules. The management of A. Sam Karesh Long Term Care Nursing Facility is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

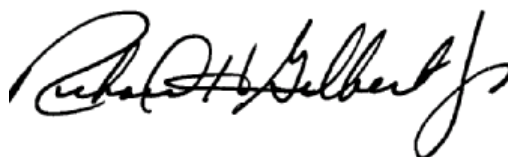
The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by A. Sam Karesh Long Term Care Nursing Facility, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Summary of Costs and Total Patient Days, Adjustment Report, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and A. Sam Karesh Long Term Care Nursing Facility dated as of October 1, 2001, as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
June 27, 2006

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", with a stylized flourish at the end.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

A. SAM KARESH LONG TERM CARE NURSING FACILITY

Computation of Rate Change
For the Contract Period
Beginning October 1, 2003
AC# 3-ASK-J2

10/01/03-
09/30/04

Adjusted Reimbursement Rate	\$128.02
Interim Reimbursement Rate (1)	<u>126.81</u>
Increase in Reimbursement Rate	\$ <u><u>1.21</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated March 1, 2006.

A. SAM KARESH LONG TERM CARE NURSING FACILITY

Computation of Adjusted Reimbursement Rate

For the Contract Period October 1, 2003 Through September 30, 2004

AC# 3-ASK-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 74.50	\$67.92	
Dietary		14.67	11.76	
Laundry/Housekeeping/Maintenance		<u>12.16</u>	<u>10.49</u>	
Subtotal	\$ <u>-</u>	101.33	90.17	\$ 90.17
Administration & Medical Records	\$ <u>1.05</u>	<u>12.20</u>	<u>13.25</u>	<u>12.20</u>
Subtotal		113.53	<u>\$103.42</u>	102.37
<u>Costs Not Subject to Standards:</u>				
Utilities		3.54		3.54
Special Services		-		-
Medical Supplies & Oxygen		7.06		7.06
Taxes and Insurance		.18		.18
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$124.31</u>		113.15
Inflation Factor (4.70%)				5.32
Cost of Capital				12.87
Cost of Capital Limitation				(4.37)
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.05
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>-</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$128.02</u>

A. SAM KARESH LONG TERM CARE NURSING FACILITY
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2002
AC# 3-ASK-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,995,778	\$372,526 (1)	\$ -	\$2,368,304
Dietary	540,073	-	73,599 (1)	466,474
Laundry	58,381	-	13,466 (1)	44,915
Housekeeping	180,999	-	34,560 (1)	146,439
Maintenance	179,452	15,769 (1)	-	195,221
Administration & Medical Records	675,030	-	287,137 (1)	387,893
Utilities	110,472	2,129 (1)	-	112,601
Special Services	828	-	828 (1)	-
Medical Supplies & Oxygen	169,392	54,938 (1)	-	224,330
Taxes and Insurance	24,771	-	19,132 (1)	5,639
Legal Fees	-	-	-	-
Cost of Capital	<u>271,371</u>	<u>145,715</u> (2)	<u>7,961</u> (1)	<u>409,125</u>
Subtotal	4,206,547	591,077	436,683	4,360,941

A. SAM KARESH LONG TERM CARE NURSING FACILITY
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2002
AC# 3-ASK-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	261	-	261 (1)	-
Nonallowable	(<u>2,152,185</u>)	<u>2,197,889</u> (1)	<u>145,715</u> (2)	<u>(100,011)</u>
Total Operating Expenses	\$ <u>2,054,623</u>	\$ <u>2,788,966</u>	\$ <u>582,659</u>	\$ <u>4,260,930</u>
Total Patient Days	<u>31,926</u>	<u>-</u>	<u>136</u>	<u>31,790</u>
Total Beds	<u>88</u>			

A. SAM KARESH LONG TERM CARE NURSING FACILITY
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-ASK-J2

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
1	General Services	\$ 372,526	
	Maintenance	15,769	
	Utilities	2,129	
	Medical Supplies	54,938	
	Nonallowable	2,197,889	
	Dietary		\$ 73,599
	Laundry		13,466
	Housekeeping		34,560
	Administration & Medical Records		287,137
	Taxes and Insurance		19,132
	Special Services		828
	Cost of Capital		7,961
	Ancillary		261
	Other Equity		2,206,307
	To adjust cost centers to amounts per the as-filed Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	145,715	
	Nonallowable		145,715
	To adjust capital return to allowable State Plan, Attachment 4.19D		
3	<u>Memo Adjustment:</u>		
	To decrease patient days by 136 from 31,926 to 31,790 State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$2,788,966	\$2,788,966

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

A. SAM KARESH LONG TERM CARE NURSING FACILITY
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 2002
 AC# 3-ASK-J2

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.55013</u>
Deemed Asset Value (Per Bed)	39,828
Number of Beds	<u>88</u>
Deemed Asset Value	3,504,864
Improvements Since 1981	1,058,087
Accumulated Depreciation at 9/30/02	<u>(1,899,816)</u>
Deemed Depreciated Value	2,663,135
Market Rate of Return	<u>0.0561</u>
Total Annual Return	149,402
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	149,402
Depreciation Expense	280,264
Amortization Expense	-
Capital Related Income Offsets	(20,541)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	409,125
Total Patient Days (Actual)	<u>31,790</u>
Cost of Capital Per Diem	\$ <u><u>12.87</u></u>

A. SAM KARESH LONG TERM CARE NURSING FACILITY
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2002
AC# 3-ASK-J2

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 4.51
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>8.50</u>
Reimbursable Cost of Capital Per Diem	\$ 8.50
Cost of Capital Per Diem	<u>12.87</u>
Cost of Capital Per Diem Limitation	\$ <u>(4.37)</u>

2 copies of this document were published at an estimated printing cost of \$1.35 each, and a total printing cost of \$2.70. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.